

Message Text

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ACTION EB-07

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DEPT PASS AGRICULTURE FOR HUME

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TAGS: EAGR ETRD JA

SUBJECT: ASST SECY BELL JAN 1-14 VISIT (SECOND REPORT)

REF: TOKYO 0677

1. FOLLOWING IS SUMMARY REPORT OF JOINT MEETING WITH FIVE
MAF DIRECTOR GENERALS AND VM MIYOSHI SUBSEQUENT TO A.M. MTGS
WITH MINISTER ABE AND VM MIYOSHI.

2. ASST SECY BELL WAS ASKED TO AND LED WITH A REVIEW OF THE WORLD AND

US SUPPLY AND DEMAND SITUATION FOR MAJOR COMMODITIES AND OF BILATERAL
ARRANGEMENTS CONCLUDED - ESPECIALLY THE USSR AGREEMENT. IN TRACING
RECENT DEVELOPMENTS HE GAVE MAJOR REASONS FOR TURNABOUT IN US SITUATION

AS: (A) DEVALUATION OF THE DOLLAR, (B) CHANGED US-USSR RELATIONSHIPS,

AND WITH EAST EUROPE, (C) CHANGE IN BLOC POLICIES RE FOOD FOR CONSUMERS,

(D) EMERGING DEMAND FROM THE NEWLY RICH OIL PRODUCING NATIONS AND NEW

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LARGE CASH BUYERS SUCH AS INDIA. OF THE FIVE BILATERAL DEALS WITH

JAPAN, USSR, POLAND, ISRAEL AND ROMANIA, ONLY THE USSR ONE IS A FORMAL

AGREEMENT. ALSO THE ONLY ADDL ONE PLANNED IS WITH ROC (TAIWAN). THE USSR FIRMLY ESTABLISHES THAT THEY WILL BE A REGULAR BUYER AT LEAST FOR THE NEXT FIVE YEARS AND THE US IS BASICALLY TO TREAT THEM LIKE A REGULAR BUYER IF THEY LIVE UP TO THE AGREEMENT. PROPERLY ADMINISTERED IT WILL CONTRIBUTE GREATLY TO WORLD GRAIN STABILITY AS SOUGHT IN THE RESERVES PROPOSALS. THE ABE-BUTZ ARRANGEMENT PRECEDED THE USSR ONE, IS WELL KNOWN IN THE US, PRODUCERS AND OTHERS ATTACH GREAT IMPORTANCE TO IT, SO MOST IMPORTANT THAT IT BE SUCCESSFULLY IMPLEMENTED. ANXIOUS TO WORK WITH MAF TO EXCHANGE INFO ABOUT MTG TARGETS AND TO MAKE CERTAIN THEY ARE MET FIRST YEAR.

3. DIR GENS ASSURED BELL THAT WHEAT TARGET WOULD BE MET WITHOUT DOUBT. SOYBEANS WOULD BE CLOSE, BUT WITH FY 76 STOCKPILING OBJECTIVE BELIEVED TARGET WOULD BE ACHEIEVED. FEEDGRAINS WERE A PROBLEM SINCE FEED DEMAND ONLY 10.19 MIL TONS WITH EXPECTATIONS FROM US ONLY 7.53 OR 7.54, UNFORTUNATELY. IF GENERAL ECONOMY AND LIVESTOCK AREA RECOVERS, PERHAPS 8 MIL. BELL POINTED TO APPARENT REDUCTION IN US SHARE, REDUCED US FEEDING LAST YEAR BY ONE-THIRE WHICH KEPT MARKETS OPEN FOR FOREIGNERS AND ALL-OUT PRODUCTION POLICIES TO MEET ABE-BUTZ TARGETS. SINCE CORN FOR INDUSTRIAL USE NOT INCLUDED, SEEMS IT STILL QUITE POSSIBLE TARGET CAN BE MET. TOTALS ARE BASED ON USMY SHIPMENTS WITH ONE MONTH LAG ON JAPAN'S ARRIVAL DATA.

4. RE GOJ FOOD RESERVES, MAF GENERAL BUDGET FOR JFY 76 INCLUDES FUNDS TO ENCOURAGE STOCKPILING 50,000 TONS OF SOYBEANS AND 100,000 OF FEEDGRAINS. INTEREST AND STORAGE CHARGES TO BE BORNE BY MAF BUT ACT OF STOCKPILING ITSELF TO BE DONS BY PRIVATE CORPORATION. SUGGESTED TAX OR LEVY TEMPORARILY ABANDONED, NOT PERMANENTLY. MAIN PILLARS OF POLICY ARE TO STABILIZE IMPORTS AND INCREASE STOCKPILES. BELL WELCOMED MAF PROGRAM AS A BEGINNING WHICH WAS BELIEVED CONSISTENT WITH US POSITION ON RESERVES IN INTL FORUM, EMPHASIZING POSITION THAT FINANCING BE FROM THE GEN FUND. US AT END OF CY 76 EXPECTS ABOUT 30 MIL TONS OF RESERVES, WELL ABOVE RUNNING STOCKS AND ALL HELD BY THE PRODUCERS AND TRADE. IF NECESSARY, WILL USE GEN FUND LOAN AUTHORITY TO INDUCE PRODUCERS TO HOLD STOCKS, NOT AN EXPORT TAX THAT WOULD LIMITED OFFICIAL USE

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DISCRIMINATE AGAINST FOREIGN BUYERS.

5. BHEN MENTIONED CONCERN RE INCREASED PALM OIL IMPORTS, DUTY-FREE AND FREIGHT ADVANTAGE TO WEST COAST. SOME CONSIDERATION IS BEING GIVEN TO A VOLUNTARY RESTRAINT SYSTEM. MUCH OF THIS PRODUCTION HAS BEEN ENCOURAGED BY INTL LENDING AGENCIES. MAF AWARE ABOVE AND FEELS JAPAN WILL IMPORT MORE, BUT SOYBEANS DUE TO MEAL NEED WILL REMAIN DOMINANT. ALSO

AWARE HIGHER CHOLESTEROL IN PALM OIL AND JAPAN
PREFERENCE FOR LIQUID OILS.

6. RE CITRUS, BELL WAS ASSURED MIN ABE HAD CONSTANTLY PUSHED
FOR SOLUTION, THAT MHW HAS FIRM PLANS AND A JAPANESE RESEARCH
INSTITUTE PLANS TO CONDUCT ANIMAL RESEARCH WITH GENERAL RESULTS
EXPECTED IN 3-4 MONTHS. STRESSED BOTH SIDES SHOULD KEEP IT OUT
OF PRESS.

7. RE CHERRIES AND CODLING MOTH, MAF IS STUDYING THE
RESEARCH RESULTS SUBMITTED LAST MAY BY THE US. MEANWHILE
PRODUCERS HAVE BECOME CONCERNED ABOUT THE CHERRY FRUIT FLY. WHEN
ABOVE SATISFACTORY STILL HAVE PROBLEM OF BEGINNING MARKETING DATE
WITH IMPRESSION JUNE 21 TOO EARLY, PERHAPS AFTER JUL 1.

8. RE SO2 ON DEHYDRATED POTATOES, IS MHW DECISION, BUT MAF WILL
PUSH FORWARD TO A FAVORABLE SOLUTION. IT IS APPROVED AT 30 PPM,
MHW HAS NO PROBLEM RE SAFETY, BUT AS FOR POSITIVE
NECESSITY DOMESTIC PRODUCERS SAY NO NEED FOR HIGHER LEVEL OF 300
OR 400 PPM REQUESTED BY US SIDE. MUST ESTABLISH NEED BEFORE MHW
CAN RECOMMEND APPROVAL FOR INCREASED TOLERANCE.

9. RE CITRUS CONCENTRATE JUICE BARTER PROPOSAL, NEED TO
FORMULATE SPECIFIC PROCEDURES. HAVE BEEN PROGRESSING ON THIS SINCE
ABE-BUTZ MEETING, WOULD LIKE TO SEE SPECIAL BARTER QUOTA AND CANNOT
GIVE DUTY DRAWBACK. PRODUCERS CONCERNED THAT ANY SPECIAL QUOTA NOT
LATER BE SWITCHED TO REGULAR QUOTA. HOPEFULLY CAN START IN APR 76.

10 RE BEEF, BELL EXPLAINED CONTINUATION OF US VOLUNTARY RESTRAINT
PROGRAM FOR ONE MORE YEAR, WHICH NECESSITATED WHILE OTHERS LIKE EC
AND JAPAN RESTRICTING AND WORLD SUPPLIES ABUNDANT. US SYSTEM
ESTABLISHES ANNUAL FRAMEWORK VERSUS JAPAN'S STOP-GO PROGRAM.
APPRECIATE JAPAN'S RECENT EFFORTS TO EASE RESTRICTIONS ANDY HOPE
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THEY CAN GIVE LONGER LEAD TIME AND HELP CONTRIBUTE MORE TO
STABILITY OF WORLD BEEF MARKET IN FUTURE. THIS SUGGESTION WAS
WELL TAKEN, DIFFICULT SITUATION OF JAPAN'S LIVESTOCK PRODUCERS
WAS EXPLAINED AND SAID WOULD EXERT EFFORTS RE LONGER TERM IMPORT
PLANS.

11. VM MIYOSHI CLOSED SESSION WITH REFERENCE TO "QUITE AT
HOME" ATMOSPHERE THAT PERMITTED EXCHANGE OF VIEWS IN A
SPECIFIC WAY. BOTH SIDES, OF COURSE, HAVE PROBLEMS BUT WE CAN
DISCUSS THEM IN A VERY FRIENDLY AND POSITIVE WAY.

12. GENERAL SUMMARY OF OTHER MEETINGS WILL FOLLOW IN A THIRD
REPORT.
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